



# Republican Policy Committee

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## De-bunking Clinton's Medi-scare Tactics

### The President's Medicare Rhetoric

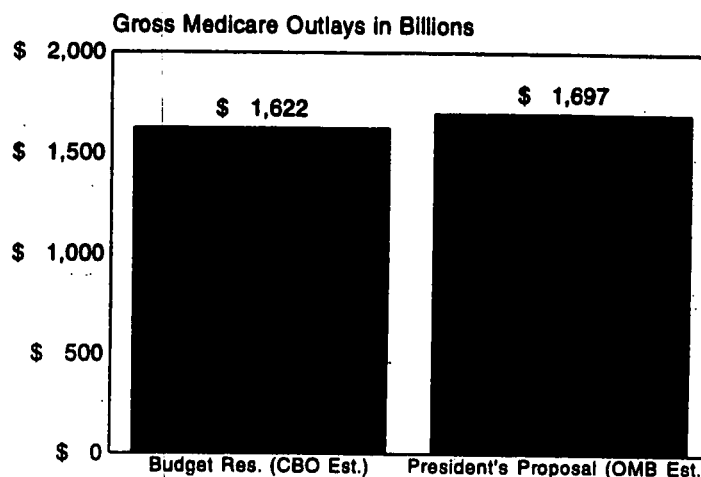
*[NOTE: This paper includes estimates of Medicare spending prepared by the Office of Management and Budget (OMB). OMB estimates of Medicare spending are used only to underscore the fact that the White House's own estimates of the President's proposed Medicare spending are strikingly similar to CBO's estimates of proposed Medicare spending under the budget resolution adopted by Congress last month.]*

President Clinton has repeatedly attacked Congress for adopting a budget resolution that spends too little on Medicare. What the President has failed to point out, and would evidently like to ignore, is that, according to his own Office of Management and Budget (OMB), he wishes to spend little more on Medicare over the next seven years than Congress will.

According to OMB, President Clinton proposes to spend \$1.697 trillion on Medicare over the next seven years. That figure is amazingly close to the \$1.622 trillion that the Congressional Budget Office (CBO) says will be spent on the program under the budget resolution, a difference of less than a nickel on the dollar.

#### Little Difference in Medicare Spending

Medicare Spending Under President's Proposal and Budget Resolution  
[Fiscal Years 1996-2002]



## ***Reality versus Rhetoric: The Numbers Tell the Tale***

The President's confidence in OMB's estimates is not shared by Congress, which relies on figures supplied by CBO. But if we take the President at his word, then there is very little difference between the President's proposal and the plan set forth in the budget resolution. Both proposals plan:

- to spend in excess of \$1.6 trillion and less than \$1.7 trillion over seven years.
- to increase spending in every one of those seven years.
- to spend at a rate less than the currently projected rate of growth.

The President's partisan attacks on proposed Medicare spending under the budget resolution are hardly justified, if he in fact believes the estimates prepared by his own budget analysts. When the comparison is done, the difference between Clinton and Congress is a scant \$75 billion (or, taking out the effects of inflation, it's \$60 billion) spread over seven years and over a total spending figure of more than \$1.6 trillion, a difference of just over 4 percent. That's less than a nickel's difference on the dollar — a small price to pay for saving a system that won't be worth a red cent in seven years if we don't act now.

## ***From the Clinton Kitchen: Overheated Rhetoric and Half-baked Proposals***

On the subject of Medicare savings, the President starts \$56 billion in the hole. That's the amount he took out of Medicare when he used it purely as a vehicle for deficit reduction as part of his 1993 budget — a partisan budget that also taxed Social Security and that no one outside his own party in Congress supported.

Nor has the President been consistent on Medicare. He has spun around like a weather vane in a whirlwind. Starting with his plan last year to put the entire American health care system under government control — essentially putting everyone's health care under the oversight of a White House that only now recognizes the Medicare system is facing imminent bankruptcy — he has had three widely divergent Medicare proposals in just over a year.

In his first budget this year, released in February (Clinton I), he claimed \$1.181 trillion in gross Medicare outlays for the FY 1996 to FY 2000 period. Just four months later in June, the President submitted his second budget (Clinton II) — and his third proposal for Medicare in just over a year. This time President Clinton claimed Medicare spending over the original five-year period of his first budget of \$1.131 trillion [see attached table]. The White House's own estimating agency, the OMB, in its July 14 supplementary summary of his current budget, concluded that the White House would spend \$1.697 trillion on Medicare over the same seven-year (FY 1996 to FY 2002) period that encompasses Congress' balanced budget [see attached table].

And what would that balanced congressional budget spend? According to estimates by the CBO — the same estimating body that the President promised to use when he began his presidency but has since abandoned — the budget agreed to by Congress would spend \$1.622 trillion over the same seven years. That's a \$75 billion difference with OMB's estimate of the Clinton plan. Despite all the White House's Medi-scare tactics, that amounts to less than a nickel's difference on the dollar between the two budgets on Medicare spending. If you take out the effect of inflation using CBO's most conservative estimate over the next seven years of 3.2 percent, that comes out to a \$60 billion difference in 1995 dollars spread out over seven years.

In fact, if one compares the Medicare spending over the five-year period in all three budgets (Clinton I, Clinton II, and the congressional budget), it is evident that Clinton II's Medicare spending is closer to that of the congressional budget (a \$45 billion difference over five years) than it is to Clinton I's (a \$50 billion difference). In other words, according to the White House's own numbers, there is a greater difference between Clinton and Clinton than between Clinton and Congress over Medicare spending.

By the numbers, Congress' proposal will:

- increase Medicare spending in each of the next seven years [source: CBO];
- increase total Medicare spending at an average rate of 6.3 percent [source: CBO]. By comparison, under OMB's estimates Clinton II spending only grows at an average rate of about one percent more;
- increase Medicare spending per beneficiary by \$1,900 — from \$4,800 in FY 1995 to \$6,700 in FY 2002 [source: CBO]; and
- allow seniors to receive a larger portion (42.3 percent) of a realistic, balanced budget than under Clinton's budget-that-never-balances (39 percent) [Source: Committee for a Responsible Federal Budget].

### ***Medicare's Looming Bankruptcy: Even the President Acknowledges It***

Despite what the White House would like to claim, Congress' budget is being balanced neither on the back of the Medicare program nor on those of the seniors who rely on it. **The congressional budget will not cut but increase Medicare spending annually.** In fact, the federal budget deficit has only an indirect effect on the need to reform Medicare. The facts are, according to the Medicare Trustees' report on April 3, 1995, the Hospital Insurance trust fund (commonly known as Medicare Part A, which covers the inpatient hospital and related care for 36 million elderly and disabled Americans) will be bankrupt within seven years under the most likely economic scenario. Thus, in contrast to White House fiction, the facts are:

- If the federal budget were balanced today, Medicare would still be bankrupt tomorrow.

- The April 3, 1995, report of Medicare's Board of Trustees — three of whom are members of the Clinton cabinet — examined the system's financial security under a variety of different economic scenarios. Their conclusion was:

"These projections clearly demonstrate that under a range of plausible economic and demographic assumptions the program is severely out of financial balance in the short range . . . . "

- According to the Trustees' report, Medicare will begin running a deficit as early as next year.
- By law, once the system goes bankrupt it will be unable to issue any benefits for anyone for any reason.
- The problem is the system itself:
  - ▶ Quoting from the Medicare Trustees' 1995 report, Medicare "is financed primarily by payroll taxes, with the taxes paid by current workers and their employers used mainly to pay benefits for current beneficiaries."
  - ▶ Again quoting from the Medicare Trustees' 1995 report, "Currently about four covered workers support each enrollee. This ratio will begin to decline rapidly early in the next century. By the middle of that century, only about two covered workers will support each enrollee. Not only are the anticipated reserves and financing of the program inadequate to offset this demographic change, but under all the sets of assumptions, the trust fund is projected to become exhausted even before the major demographic shift begins to occur."
  - ▶ The average two-income couple retiring in 1995 will receive \$117,000 more in Medicare benefits than they paid in.
  - ▶ Rather than being a victim of the federal budget, Medicare has been and will continue to be a beneficiary.

This system cannot be sustained; after 2002, according to the Trustees, it won't be.

### ***The Responses: Nero vs. Hero***

Even President Clinton recognizes the Medicare problem. On June 11 he stated:

*"We cannot leave the system the way it is. . . . When you think about what the baby boomers require . . . that's going to require significant long term structural adjustment. We'll have to look at what we can do there. But the main thing we can't do — we can't have this thing go broke in the meanwhile."*

[Remarks at the senior citizen picnic by President Clinton and Speaker Gingrich at Claremont, New Hampshire on June 11, 1995.]

Yet, to date the President has not responded to the crisis. The absence of a realistic proposal to save Medicare or even a willingness to work with Congress to develop one casts President Clinton in the role of the Roman emperor Nero who, according to legend, was content to fiddle while Rome burned. The President's only concerted effort on Medicare has been rhetorical: to try and portray Congress as cutting Medicare.

Congress in contrast, with its balanced budget passed, has begun to work to solve the crisis. Just as the White House had not issued one word about Medicare's problems until three months ago, they have ignored repeated calls to join with Congress to work to save Medicare. Without changes, we are not only consigning Medicare to bankruptcy in seven years but confining seniors in a second-class health care system that offers little choice and is rife with fraud and inefficiency. It is safe to say that the most important savings in Congress' balanced budget resolution will be the Medicare system.

### ***Reform is the Difference***

According to the President's own numbers, there is little real — 4% — difference between what Congress and the White House plan to spend on Medicare over the next seven years. The only real difference between Congress and the White House is reform. Congress is pursuing it; President Clinton is not.

The President has produced a budget that on one hand doesn't balance in any of its ten years, and on the other does not reform Medicare. In effect it's all pain and no gain. Under the President's budget, in 2002 America will still strain under a \$210 billion deficit when it could have a balanced one under Congress' plan. Under **any** of the President's proposals (take your pick), America's seniors will still be facing impending bankruptcy of their health system, when they should be looking forward to the prospects of one that will deliver more choice, more quality, and on which they can depend.

In contrast to the President, Congress believes that we must not only preserve Medicare but strengthen it. Congress believes saving Medicare is worth a nickel on the dollar, because if we if we don't, Medicare's promise to seniors won't be worth a nickel.

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**PROJECTED YEAR-BY-YEAR TOTALS FOR MEDICARE OUTLAYS**  
[in billions of dollars]

	1995	1996	1997	1998	1999	2000	2001	2002	5 yr.	7 yr.
<b>CLINTON I</b>										
<sup>1</sup> Mandatory outlays	175	195	213	232	252	274	n.a.	n.a.	1166	n.a.
Discretionary outlays	3	3	3	3	3	3	n.a.	n.a.	15	n.a.
<b>TOTAL</b>	177	198	216	235	255	277	n.a.	n.a.	1181	n.a.
<b>CLINTON II <sup>2</sup></b>										
Mandatory Medicare outlays	154	172	186	199	213	227	243	260	997	1500
OMB discretionary outlays	3	3	3	3	3	3	3	3	15	21
OMB premium receipts	20	20	22	24	26	27	28	29	119	176
<b>TOTAL</b>	177	195	211	226	242	257	274	292	1131	1697
<b>CONGRESSIONAL PLAN</b>										
<sup>3</sup> Function 570 Medicare	161	174	183	192	203	215	230	247	967	1444
CBO premium receipts	20	20	22	24	26	27	29	30	119	178
<b>TOTAL</b>	181	194	205	216	229	242	259	277	1086	1622
<b>DIFFERENCE</b>										
Clinton I - II									50	n.a.
Clinton II - Congressional plan									45	75
<b>PERCENTAGE DIFFERENCE</b>										
Clinton II - Congressional										4.4%

Notes: Numbers may not add due to rounding.

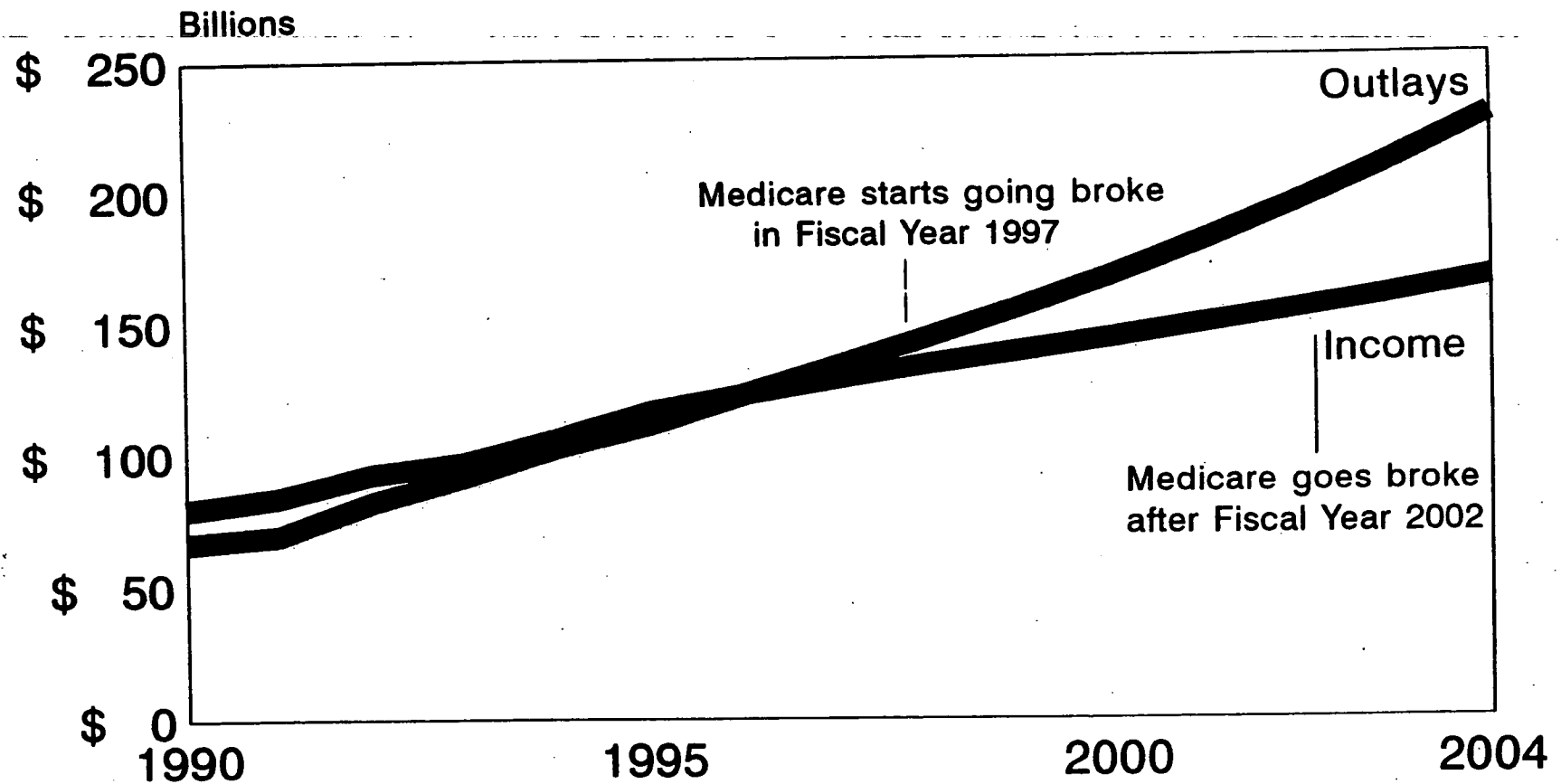
<sup>1</sup>The President's Budget; premiums included in mandatory outlays

<sup>2</sup>OMB 7/14 Supplemental Summary of The President's Budget

<sup>3</sup>CBO's estimate for Function 570 includes both mandatory and discretionary outlays for Medicare and is net of premium income.

# Medicare Is Going Broke

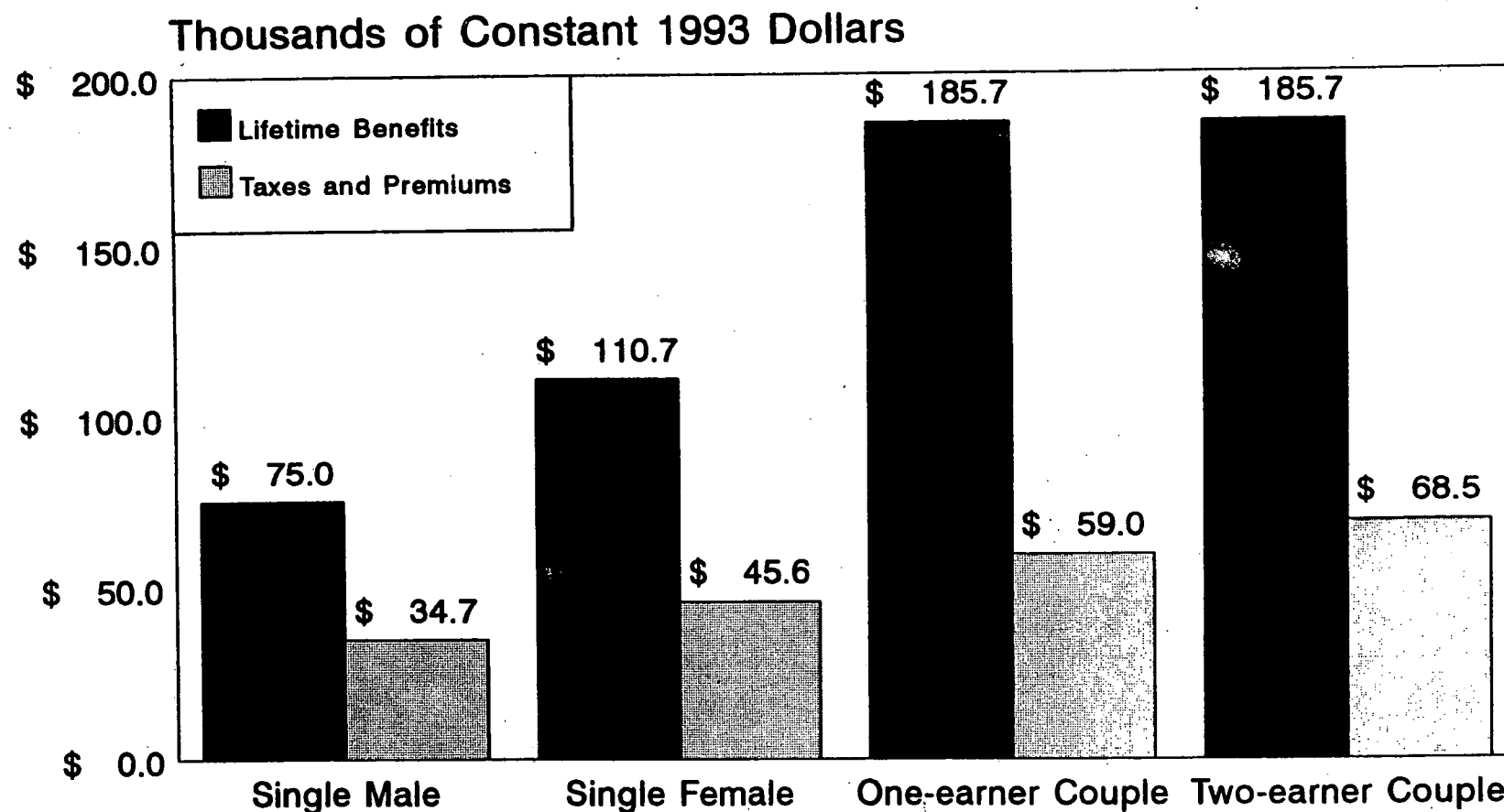
Income and Outlays of the HI Program  
Fiscal Years 1990 - 2004



Source: HI Trustees Report, p. 8

# Lifetime Cost of Medicare Benefits

Benefits vs. Enrollee Taxes and Premiums  
For People who Turn 65 in 1995

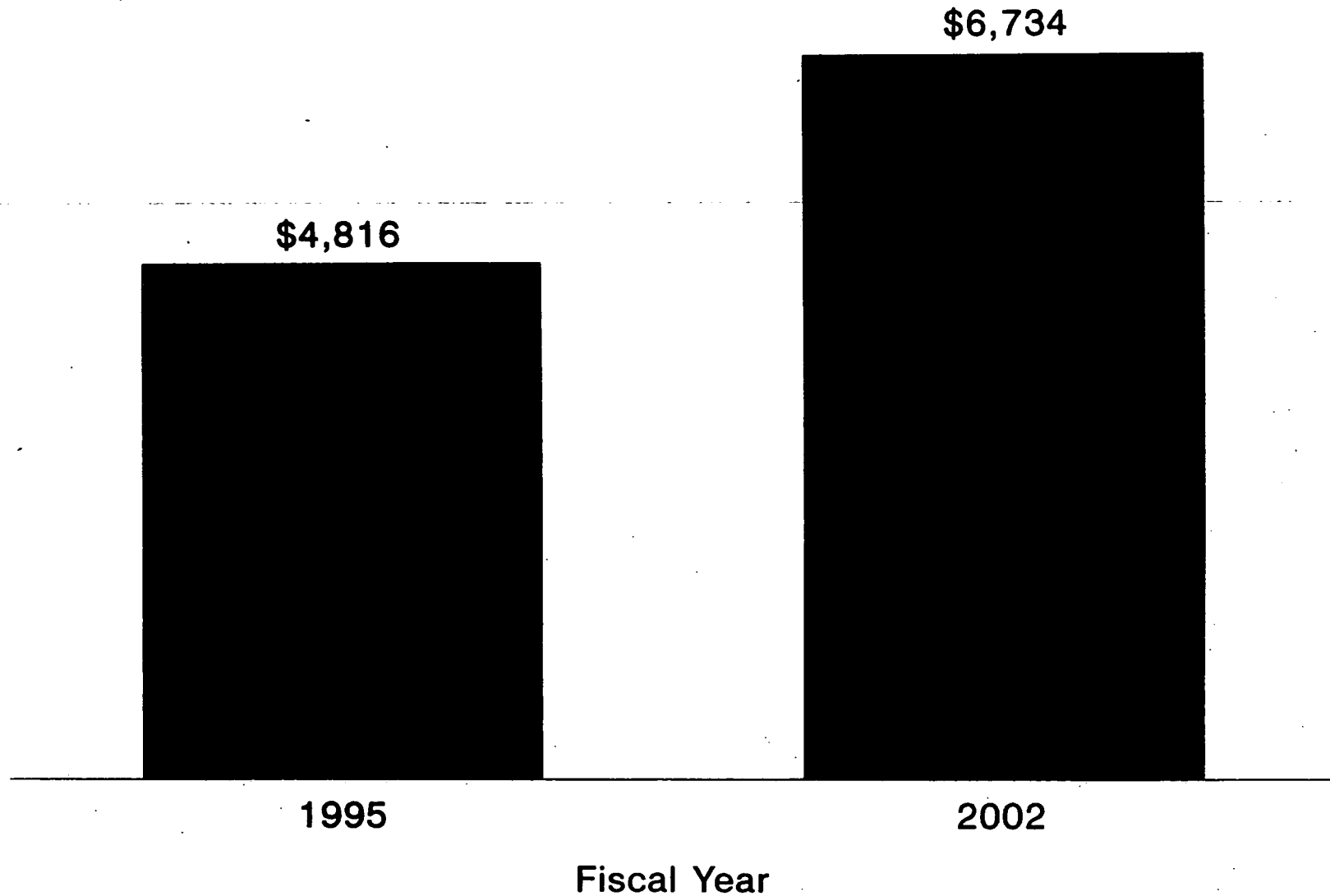


Source: Steuerle and Bakija, Retooling Social Security for the 21st Century, p. 122.



# Medicare Spending Per Beneficiary Grows Under Budget Resolution

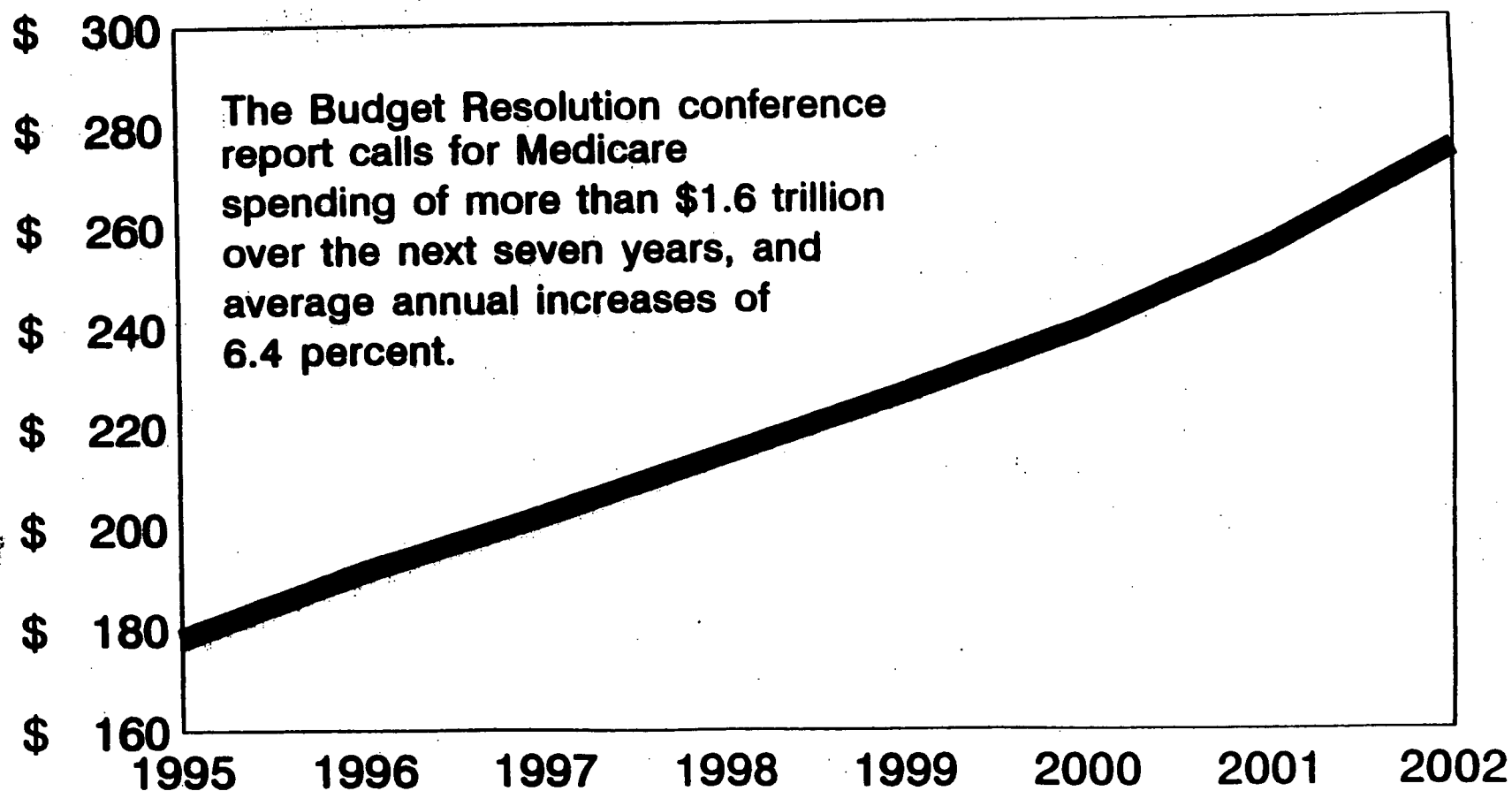
Federal Per Capita Medicare Outlays  
FY 1995 vs. FY 2002



Source: Senate Budget Committee

# Proposed Medicare Growth

Budget Resolution  
(Fiscal Years 1995-2002)



Source: Senate Budget Committee